

Dear Sir,

Thank you for the opportunity of making a submission for consideration by the ABS in reviewing the methodology used to calculate the CPI.

I have an interest in economics both at work, where I use a variety of indices as an officer employed by a local government and also privately where I am active in local affairs. Amongst those that I meet the CPI is undoubtable the most quoted economic measure. I would have to say that as such it is invariably used as an indicator of the change of the cost-of-living for the ordinary citizen. I would respectfully suggest then that this would set the background within which a methodology for calculation should be determined. Thus the following would be included; food, clothing, utility charges such as electricity and telephone charges, accommodation (.rental equivalent.), basic health and medical, transport and an element for recreation be it holiday or hobby/study costs.

The topic of capital costs, for white goods, cars etc could perhaps be accounted for by adding a simple depreciation model i.e.

- operational costs (daily to annual as listed above)
- capital . provision to fund and replace the common capital goods that most of us own. Operational costs for these items e.g. petrol and insurance would have been included in transport and accomodation (rental equivalent) above.

The accommodation .rental equivalent. component would be determined to aggregate for both house ownership and rental. The ABS might like to consider publication on the internet not only the new single figure CPI but also details of the model. This would give individuals and organisations the option of tweaking a few numbers or components to customise a private index for their own use.

Such a facility might not only prove a useful tool for customised macro and micro budgeting and planning but would also provide a huge educational tool and promote understanding in the broader community.

Thank you again for this opportunity to contribute and I look forward to reading about the final outcome,

Yours faithfully,
S.J. Armour